

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission

FROM: Eric Carpenter, City Manager

DATE: October 30, 2024

TITLE: A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, APPROVING, PURSUANT TO INVITATION TO NEGOTIATE (ITN) NO. 2023-338-ND, THE MANAGEMENT AGREEMENT BETWEEN THE CITY OF MIAMI BEACH AND GLOBAL SPECTRUM L.P. D/B/A SPECTRA VENUE MANAGEMENT D/B/A OVG360 (A DIVISION OF OAK VIEW GROUP) FOR THE MANAGEMENT AND OPERATION OF THE MIAMI BEACH CONVENTION CENTER AND CAMPUS SUBSTANTIALLY IN THE FORM ATTACHED TO THIS RESOLUTION; AND FURTHER AUTHORIZING THE CITY MANAGER AND CITY CLERK TO FINALIZE AND EXECUTE THE MANAGEMENT AGREEMENT.

RECOMMENDATION

The Administration recommends approval of the resolution, authorizing the management agreement with OVG360 for the management of the Miami Beach Convention Center.

BACKGROUND/HISTORY

On October 7, 2013, the City and Global Spectrum L.P. ("Global") became parties to a Management Agreement (herein "Agreement"). The City engaged Global to manage and operate the Miami Beach Convention Center ("MBCC"). The Agreement was for an initial term of three (3) years, ending on September 30, 2016, with a two (2)-year extension at the sole and absolute discretion of the City.

On October 21, 2015, the Mayor and City Commission, via Resolution No. 2015-29191 approved Amendment No. 1 to the Agreement, extending the term through September 30, 2020. Additionally, on September 23, 2016, the City terminated Global's responsibilities as manager and operator of the Colony Theater effective September 30, 2016.

On September 12, 2018, the Mayor and City Commission adopted Resolution No. 2018-30508 which approved Amendment No. 2 to the Agreement, extending the term through September 30, 2022. On September 11, 2019, the Mayor and City Commission approved Amendment No. 3 to the Agreement through Resolution No. 2019-30986. Amendment No. 3 approved an increase in Global's monthly impress (fixed balance) amount and established a Global-funded annual internship contribution among other things. On June 23, 2021, via Resolution No. 2021-31754, the Mayor and City Commission approved Amendment No. 4 to the Agreement providing for the management and maintenance, by Global, of Collins Canal Park, the two (2) clubhouse buildings formerly known as the Carl Fisher Clubhouse and Little Stage Theaters, and Pride Park, including the mangroves along Collins Canal within the footprint of the park. Amendment No. 4 provided for an increase of \$75,000 to the management fee amount in consideration of the additional scope and extended the terms of the Agreement for a period of 18 months through March 31, 2024.

On May 19, 2023, Invitation to Negotiate (ITN) No. 2023-338-ND was issued, as authorized by the City Commission, seeking proposals from convention facility management companies capable of providing a full range of comprehensive management, operations and maintenance

services. On September 13, 2023, the Mayor and City Commission awarded ITN No. 2023-338-ND, authorizing the Administration to enter into negotiations with Global Spectrum, L.P. d/b/a OVG360 as the sole proposer.

On March 26, 2024, the Mayor and City Commission, through Resolution No. 2024-32912, approved Amendment No. 5 extending the Agreement from April 1, 2024, through September 30, 2024 to align with the related food and beverage management agreement with Sodexo Live! and, the destination management organization Greater Miami Convention & Visitors Bureau (GMCVB) agreements and the City's fiscal year. The previous 18-month extension resulted in misalignment of the term of the agreement and the City's fiscal year.

On September 11, 2024, the Mayor and City Commission, through Resolution No. 2024-33232, approved Amendment No. 6 extending the Agreement on a month to month basis, not to exceed three (3) months, from October 1, 2024 through December 31, 2024 to allow the parties additional time to finalize the key terms of the new agreement. Note that on September 11, 2024, the City Commission also determined that Pride Park be managed and operated by the City's Parks and Recreation Department, as contemplated in the new agreement discussed further below.

ANALYSIS

Global Spectrum, L.P. was founded in 1994 as a management consulting firm. In November 2021, the Oak View Group acquired Global Spectrum, L.P., forming OVG360, a full-service venue management company. Currently, OVG360 is providing these services to the City, and the City is satisfied with its work over the term of the previous agreement.

As manager of the MBCC, OVG360 has hosted hundreds of events, including Art Basel Miami Beach, Super Bowl LIV Fan Experience, the Miami International Boat Show, and most recently the Adobe Max Creativity Conference. The MBCC is now nationally recognized at the top tier of convention centers, earning numerous awards and recognitions from meeting publications around the country, including the Facilities & Destinations Prime Site Award 2024 and Best Convention Center (U.S) Award by Skift Meetings. OVG360 has overcome various challenges, including remaining operational during the \$640 million renovation of the venue, major hurricane and rain events, Zika Virus, and the COVID-19 pandemic. Their efforts have ensured that one of the City's most valuable assets supports the greater Miami Beach community and the facility and operations remain best-in-class.

OVG360's effective management of the MBCC and campus, and collaborations with the Miami Beach Botanical Garden has attracted new events and industries to the City, enhancing the ability to host dynamic events of all sizes. With the MBCC hotel development in progress, OVG360's collaboration promises a positive integration of this City asset to the operation of the campus.

The new agreement (attached as Exhibit A) offers an opportunity for the City to augment the management of the MBCC. Specific key terms in the new agreement include:

- General Management Services:
 - Term of Agreement:
 - Five-year initial term, with a two (2)-year extension upon mutual agreement of the parties.
 - October 1, 2024, through September 30, 2029 (Initial Term)
 - October 1, 2029 through September 30, 2031 (Potential Renewal Term)
 - Management Fee:
 - Management fee in the total amount of \$360,000 for each fiscal year subject to an increase each fiscal year based on the lesser of the current year CPI or three (3) percent.
 - Incentive Fee:

- Annual incentive fee amount shall be equal to the aggregate amount of the Management Fee for a Contract Year. Following the end of each Fiscal year during the term, the City Manager shall assess OVG360's performance during such Fiscal Year and provide Global with a written report and annual Incentive Fee based on its performance in the following seven (7) categories:
 1. Financial and Productivity Benchmarks (40%) inclusive of:
 - Revenue Target Benchmark (15%);
 - Net Operating Loss/Profit Benchmark (15%); and
 - Labor as a percentage of gross revenue (10%).
 2. Customer Satisfaction (15%): The direct interaction and assistance provided to guests, event planners, and attendees for all experiences and events held at the Facilities, as measured through customer satisfaction surveys.
 3. Sustainability (5%): Operating in a way that protects, preserves or restores the natural environment, promotes social equity, enhances the lives of people and communities and contributes to economic prosperity.
 4. Facility Conditions/Maintenance/Repair (15%): Maintaining the facilities pursuant to a City-approved preventive maintenance system, with OVG360 submitting quarterly reports detailing the execution of the preventative maintenance schedule.
 5. Community Partnership (5%): New strategic alliances formed between various local organizations, businesses, or individuals to achieve positive measurable benefits to the sales, revenue and reputation of the facilities.
 6. Sales (15%) inclusive of:
 - Priority 3 Bookings - Exceeding the established Priority 3 events and social events sales goals (8%);
 - Hotel Partnerships - Increasing the number of quality hotel partner group bookings using space within the facilities (3%); and
 - Collaboration with the GMCVB on Hotel Room Nights (4%).
 7. Marketing & Communications (5%): Execution of the mutually agreed Marketing and communications plan in alignment with the GMCVB marketing and communications plan and shows relevant segmentation of marketing and communication initiatives that align with the City's goals.

The implementation of more sustainability initiatives throughout the campus will ensure a reduction on environmental impact and enhance resource efficiency. Under the new terms, an annual Sustainability Benchmark will be set for OVG360 that expands the MBCC responsible green reputation and metrics tracking. Similarly, the new agreement incorporates OVG360's adoption of a facilities condition assessment which tracks the health and useful service life of the facilities and OVG360's performance.

A new element to the agreement is cybersecurity. In our increasingly digital world, cybersecurity has become a critical issue for venue operation. By clearly defining cybersecurity responsibilities, the new agreement will ensure OVG360 mitigate risks, data breaches, financial losses, and legal liabilities. The inclusion of data protection requirements, breach notification protocols, liability and indemnity clauses, and compliance with laws will fortify venue resiliency.

Entering into the new agreement with OVG360, under the revised financial terms and incentive performance metrics, will enhance the commercial management of the asset. The City will have heightened engagement in the review and approval of personnel and induce OVG360 to be more fiscally prudent, innovative, and competitive. Likewise, the new agreement rewards creative and pioneering collaborations, programming, and facility improvements as well as partnerships between the City, the GMCVB, and Sodexo Live! that yield significant customer satisfaction resulting in increased sales, food and beverage concessions revenues, positive reputation, and more.

FISCAL IMPACT STATEMENT

Nationally, convention centers typically operate with a financial subsidy while providing a broader indirect economic impact to the community through tourism and hospitality-related visitor spending. The MBCC is supported and funded by revenue generated by the MBCC (including rentals, food, and beverage sales), Resort Tax (Convention Development Tax), and Miami Beach Redevelopment Agency (RDA) tax increment revenue.

The proposed MBCC management agreement is intended to continue generating revenue for the City, with the selected company being compensated on an agreed-upon, fixed management fee with incentives based on performance. The existing management fee is currently approximately \$373,000 annually. The negotiated management fee under the new agreement is \$360,000 and is subject to annual increases based on the lesser of 3 percent or the consumer price index (CPI). Additionally, as in the previous agreement the negotiated annual incentive fee is capped at the value of the annual management fee. Operating expenses related to managing, maintaining, promoting and marketing the MBCC (including personnel expenses) are funded by the City. Operating revenues offset operating expenses.

SUPPORTING SURVEY DATA

Based on the 2024 Miami Beach Community Survey, 84.1% of local businesses think the MBCC contributes positively to the overall value of doing business in Miami Beach.

Does this Ordinance require a Business Impact Estimate?

(FOR ORDINANCES ONLY)

The Business Impact Estimate (BIE) was published on . See BIE at:
<https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notice/>

FINANCIAL INFORMATION

CONCLUSION

The Administration is confident that the new agreement with OVG360 is in the best interest of the City based on the modernized and restructured terms and expectations that explicitly focus on performance metrics and deliverables that work to better align community and commercial benefits. The agreement will allow the City to respond to any impacts, influences, and competition and strategically plan the growth of Miami Beach as an international destination for conventions, conferences, and events as well as allows the City to improve alignment with the GMCVB and Sodexo Live! agreements.

Applicable Area

Citywide

**Is this a “Residents Right to Know” item,
pursuant to City Code Section 2-17?**

No

**Is this item related to a G.O. Bond
Project?**

No

Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481, includes a principal engaged in lobbying? No

If so, specify the name of lobbyist(s) and principal(s):

Department

Economic Development

Sponsor(s)

Co-sponsor(s)

Condensed Title

Approve ITN 2023-338-ND, MBCC Management Agreement with OVG360. ED